

# Voltas

Refer to important disclosures at the end of this report

## RAC market share loss worrying; recovery crucial

- With UCP segment growth of 9.9% yoy coming in much below our estimate of 18%, Voltas' Q4 was a miss overall. The loss of ~500bps in RAC market share yoy to ~18% in March, which management attributed to high competitive intensity in South India, led to the miss.
- EBITDA margins declined sharply by 268bps yoy to 9.8% due to lower gross margins amid commodity inflation and heightened competitive intensity. UCP's margins fell by 522bps to 10.6%. Margins of the EMPS segment, however, were relatively steady at 6.9%.
- Management said it has taken measures to regain lost market share and targets to reach the prior levels by Jun'22. However, our channel checks suggest Voltas' share was weak in Apr'22 as well. Margins should remain suppressed while VOLT tries to regain share.
- We cut FY22-24E revenue/EBITDA by 4-7% due to lower growth in EMPS and margin compression in UCP. We also reduce our multiple for UCP to 43x from 45x on higher CoE. Maintain Hold with a revised SoTP-based Jun'24E TP of Rs1,000 (Rs1,150 earlier).

**Significant RAC market share loss in the face of intense competition:** Revenue was flat yoy due to a 21% decline in EMPS, offset by growth in UCP and EPS. EMPS came in ahead of estimates with the pick-up in execution; order inflow remained muted and was flat yoy, despite a low base. UCP revenue growth missed estimates due to higher-than-expected market share loss in March. Management attributed it to price disruption in the South market (TN and Kerala), which Voltas did not resort to. While Voltas effected 12-15% price hikes in FY22, its peers' price hikes were relatively lower, leading to a 2-5% price differential. Voltas has taken corrective steps (channel incentives, interest subvention schemes, etc.) and anticipates a recovery in market share by June. Due to commodity inflation and a lag in price hikes, gross margin declined by 280bps yoy to 22.8%, driving a similar fall in EBITDA margin to 9.8%. Volt-Bek's losses marginally narrowed to Rs289mn from Rs320mn in Q3.

**Outlook:** Voltas is seeing a loss in RAC market share (annualized basis in FY22) for the first time in the last decade. Though management said it has taken measures to regain the share, our channel checks suggest that Apr'22 was largely similar to March. In our view, Voltas has the execution and management capabilities to regain the lost share but would not be easy as competitive intensity is quite high. **That said, it will be a key monitorable in the coming months, as it could have implications for the next summer season (Q4FY23) too. Any delay in regaining market share could lead to a further cut in UCP revenues and further de-rating.** Capex intensity will increase over the next 2-3 years with guidance at Rs4.5-5bn spread over PLI related capacity and Highly JV. **Key risks:** faster-than-anticipated market share recovery in RACs; better-than-estimated performance of Volt-Bek; sustained weakness in order inflows and execution in projects business; and sustained commodity inflation.

Please see our sector model portfolio (Emkay Alpha Portfolio): [Consumer Durables \(Page 12\)](#)

### Financial Snapshot (Consolidated)

(Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Revenue	75,558	79,345	94,289	108,838	122,571
EBITDA	6,414	6,816	8,913	10,783	12,187
EBITDA Margin (%)	8.5	8.6	9.5	9.9	9.9
APAT	5,288	5,041	6,460	8,844	10,324
EPS (Rs)	16.0	15.2	19.5	26.7	31.2
EPS (% chg)	(7.6)	(4.7)	28.2	36.9	16.7
ROE (%)	11.4	9.7	11.3	14.0	14.7
P/E (x)	65.5	68.7	53.6	39.1	33.5
EV/EBITDA (x)	48.9	46.7	35.9	29.5	25.7
P/BV (x)	6.9	6.4	5.8	5.2	4.7

Source: Company, Emkay Research

<b>CMP</b>	<b>Target Price</b>
Rs 1,047 as of (May 9, 2022)	Rs 1,000 (▼) 12 months
<b>Rating</b>	<b>Upside</b>
HOLD (■)	(4.5) %

### Change in Estimates

EPS Chg FY23E/FY24E (%)	(15)(10)
Target Price change (%)	(13.1)
Target Period (Months)	12
Previous Reco	HOLD

### Emkay vs Consensus

	EPS Estimates	
	FY23E	FY24E
Emkay	19.5	26.7
Consensus	23.6	29.3
Mean Consensus TP (12M)	Rs 1,251	

### Stock Details

Bloomberg Code	VOLT IN
Face Value (Rs)	1
Shares outstanding (mn)	331
52 Week H/L	1,357 / 953
M Cap (Rs bn/USD bn)	346 / 4.47
Daily Avg Volume (nos.)	1,399,386
Daily Avg Turnover (US\$ mn)	22.3

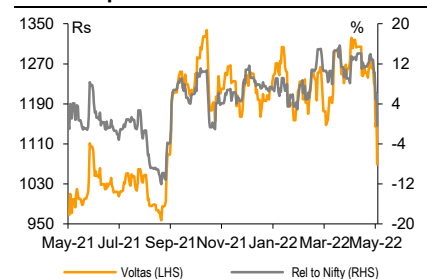
### Shareholding Pattern Mar '22

Promoters	30.3%
FIIIs	26.2%
DIIIs	27.8%
Public and Others	15.7%

### Price Performance

(%)	1M	3M	6M	12M
Absolute	(21)	(14)	(16)	8
Rel. to Nifty	(13)	(8)	(7)	(2)

### Relative price chart



Source: Bloomberg

This report is solely produced by Emkay Global. The following person(s) are responsible for the production of the recommendation:

#### Naval Seth

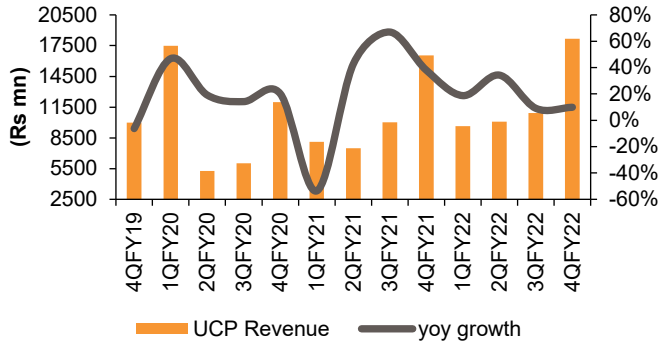
naval.seth@emkayglobal.com  
+91 22 6624 2414

#### Vijayant Gupta

vijayant.gupta@emkayglobal.com  
+91 22 6612 1257

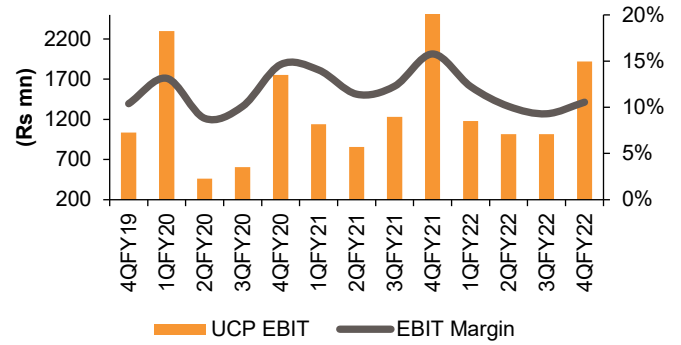
# Story in Charts

**Exhibit 1: UCP revenue growth at 9.9%, below estimate**



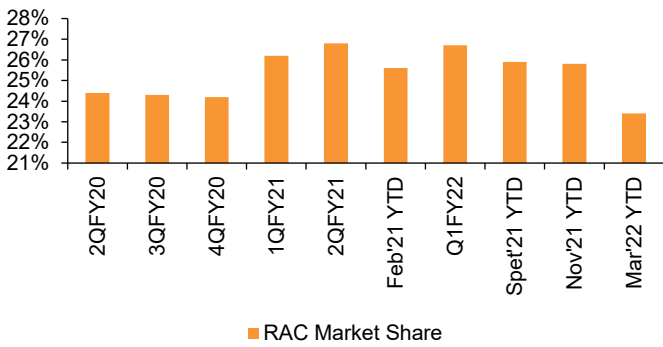
Source: Company, Emkay Research

**Exhibit 2: EBIT margins contracted due to inflationary headwinds**



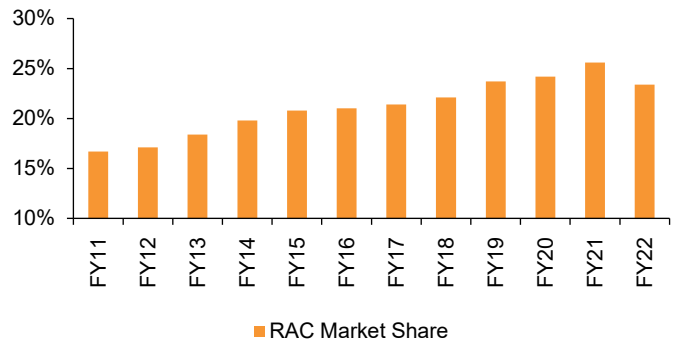
Source: Company, Emkay Research

**Exhibit 3: RAC market share stood at 23.4% (Mar'22 YTD)**



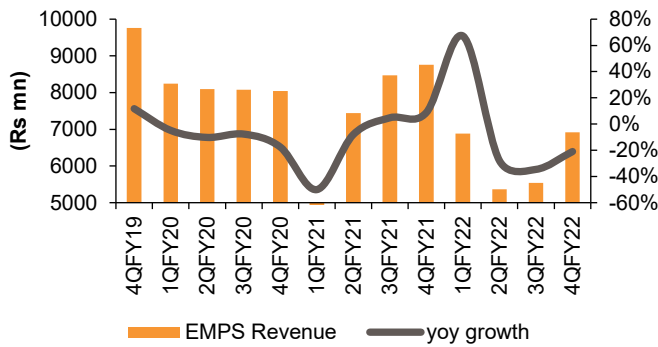
Source: Company, Emkay Research

**Exhibit 4: First annual decline in several years**



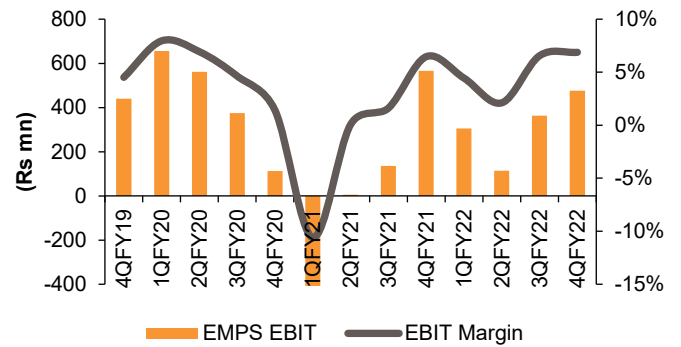
Source: Company, Emkay Research

**Exhibit 5: EMPS revenues fell by 21% yoy due to weak order inflows**



Source: Company, Emkay Research

**Exhibit 6: EMPS margins improved on better execution**



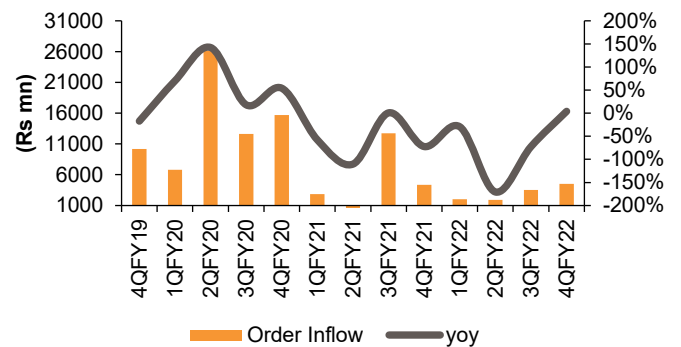
Source: Company, Emkay Research

**Exhibit 7: Selective undertaking led to subdued order book**



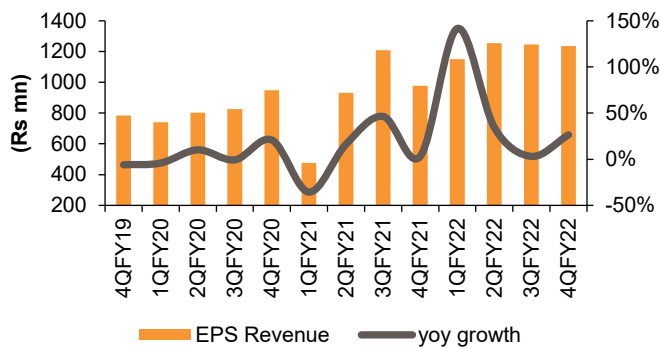
Source: Company, Emkay Research

**Exhibit 8: Order inflows increased slightly on qoq basis**



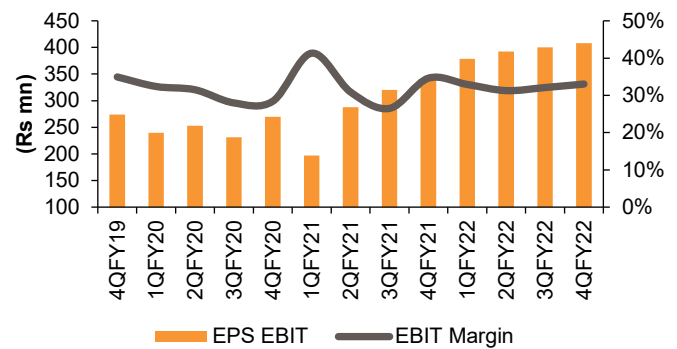
Source: Company, Emkay Research

**Exhibit 9: EPS revenue grew 26% yoy and 16% on 3Y-CAGR**



Source: Company, Emkay Research.

**Exhibit 10: EPS margins declined 157bps yoy though improved 94bps qoq**



Source: Company, Emkay Research

## Other highlights

- Revenue was flat yoy at Rs26.6bn, but 3.5% below estimates.
  - **The UCP segment’s revenue missed estimates by 7%, while the EMPS beat by 3%.**
- **EBITDA declined 21.1% yoy to Rs2.6bn and missed our estimates, primarily due to the miss on UCP EBIT on lower-than-expected volume growth.**
  - Gross margins declined 278bps yoy and 418bps qoq to 22.8%.
  - Other opex was down 7.1% yoy. Employee expenses rose 9.4% yoy.
- **PAT declined by 23.5% yoy to Rs1.8bn, with margins contracting to 6.9% (-215bps yoy).**
  - ETR stood at 26.1% vs. 25.6% in Q4FY21 and 30.6% in Q3FY22. Other income rose 17.8% yoy to Rs372mn.
  - **Share of loss from JV and associates (Volt-Bek) stood at Rs289mn vs. Rs320mn in Q3 and Rs222mn in Q4FY21.**
- **UCP:** Revenue saw a 9.9% yoy jump, with EBIT of Rs1.9bn. EBIT margins stood at 10.6% vs. 15.8% in the year-ago period.
- **EMPS:** Revenue fell 21% yoy to Rs6.9bn, with EBIT of Rs476mn. EBIT margin improved 41bps yoy to 6.9%.
- **EPS:** Revenue grew 26.4% yoy to Rs1.2bn, above estimates by 3%. EBIT margin improved to 33% sequentially (-157bps yoy).
- Order book stood at Rs53.6bn, significantly lower than Rs66bn in Q4FY21 due to a deliberate scale-down.

## Exhibit 11: Actual vs. Estimates (Q4FY22)

(Rs mn)	Actual	Estimate (Emkay)	Consensus estimate (Bloomberg)	% variation		Comment
				Emkay	Consensus	
Revenue	26,666	27,626	27,507	-3%	-3%	UCP miss drags revenue
EBITDA	2,610	3,383	3,016	-23%	-13%	Lower UCP margin due to revenue miss
EBITDA Margin	9.8%	12.2%	11.0%	-246 bps	-118 bps	
PAT	1,827	2,241	2,318	-18%	-21%	

Source: Company, Bloomberg, Emkay Research

## Exhibit 12: Summary of quarterly financials

Rs mn	Q4FY19	Q4FY20	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	3-year CAGR	FY22	FY21	YoY (%)
<b>Net Sales</b>	<b>20,628</b>	<b>20,896</b>	<b>26,517</b>	<b>17,936</b>	<b>26,666</b>	<b>0.6</b>	<b>48.7</b>	<b>9%</b>	<b>79,345</b>	<b>75,558</b>	<b>5.0</b>
Raw Material	15790	14,912	19,735	13,097	20,588	4.3	57.2	9%	58,967	55,785	5.7
as % of sales	76.5	71.4	74.4	73.0	77.2						
Employee Cost	1663.7	1,776	1,463	1,562	1,600	9.4	2.4	-1%	6,176	6,017	2.6
as % of sales	8.1	8.5	5.5	8.7	6.0						
Other operating expenses	1732	2,288	2,011	1,720	1,868	(7.1)	8.6	3%	7,386	7,343	0.6
as % of sales	8.4	10.9	7.6	9.6	7.0						
<b>Total Expenditure</b>	<b>19185</b>	<b>18,976</b>	<b>23,209</b>	<b>16,380</b>	<b>24,056</b>	<b>3.6</b>	<b>46.9</b>	<b>8%</b>	<b>72,529</b>	<b>69,144</b>	<b>4.9</b>
<b>EBITDA</b>	<b>1443</b>	<b>1,920</b>	<b>3,307</b>	<b>1,556</b>	<b>2,610</b>	<b>(21.1)</b>	<b>67.7</b>	<b>22%</b>	<b>6,815</b>	<b>6,414</b>	<b>6.3</b>
Depreciation	59.3	82	89	97	95	6.5	(2.6)	17%	373	339	9.9
<b>EBIT</b>	<b>1384</b>	<b>1,838</b>	<b>3,219</b>	<b>1,459</b>	<b>2,516</b>	<b>(21.8)</b>	<b>72.4</b>	<b>22%</b>	<b>6,443</b>	<b>6,075</b>	<b>6.1</b>
Other Income	572	605	316	288	372	17.8	29.4	-13%	1,892	1,889	0.2
Interest	106	61	104	36	125	20.1	245.6	6%	259	262	(1.1)
Share of Profit and loss from associate	-193	(195)	(222)	(320)	(289)	30.1	(9.8)	14%	(1,103)	(610)	
Exceptional Items	0	(20)	-	-	-				-	-	
<b>PBT</b>	<b>1656</b>	<b>2,167</b>	<b>3,209</b>	<b>1,391</b>	<b>2,474</b>	<b>(22.9)</b>	<b>77.9</b>	<b>14%</b>	<b>6,973</b>	<b>7,092</b>	<b>(1.7)</b>
Tax	239	573	821	425	647	(21.2)	52.2	39%	1,913	1,804	6.0
<b>PAT</b>	<b>1417</b>	<b>1,595</b>	<b>2,387</b>	<b>966</b>	<b>1,827</b>	<b>(23.5)</b>	<b>89.2</b>	<b>9%</b>	<b>5,060</b>	<b>5,288</b>	<b>(4.3)</b>
<b>Margins (%)</b>						<b>(bps)</b>	<b>(bps)</b>				<b>(bps)</b>
<b>Gross Margin</b>	<b>23.5</b>	<b>28.6</b>	<b>25.6</b>	<b>27.0</b>	<b>22.8</b>	<b>(278)</b>	<b>(418)</b>		<b>25.7</b>	<b>26.2</b>	<b>(49)</b>
<b>EBIDTA</b>	<b>7.0</b>	<b>9.2</b>	<b>12.5</b>	<b>8.7</b>	<b>9.8</b>	<b>(268)</b>	<b>111</b>		<b>8.6</b>	<b>8.5</b>	<b>10</b>
EBIT	6.7	8.8	12.1	8.1	9.4	(270)	130		8.1	8.0	8
EBT	8.0	10.4	12.1	7.8	9.3	(282)	152		8.8	9.4	(60)
PAT	6.9	7.6	9.0	5.4	6.9	(215)	147		6.4	7.0	(62)
Effective Tax rate	14.4	26.4	25.6	30.6	26.1	55	(442)		27.4	25.4	199

Source: Company, Emkay Research

**Exhibit 13: Quarterly segmental financials**

Rs mn	Q4FY19	Q4FY20	Q4FY21	Q3FY22	Q4FY22	YoY (%)	QoQ (%)	3-year CAGR	FY22	FY21	YoY (%)
EMPS	9,760	8,046	8,755	5,538	6,918	(21.0)	24.9	-11%	24,705	28,786	(14.2)
EPS	785	948	977	1,247	1,235	26.4	(0.9)	16%	4,887	3,595	35.9
UCP	9,976	11,989	16,547	10,936	18,184	9.9	66.3	22%	48,819	42,185	15.7
Less: Intersegment	4	198	0	0	0				0	52	
<b>Income from operations</b>	<b>20,516</b>	<b>20,784</b>	<b>26,278</b>	<b>17,721</b>	<b>26,337</b>	<b>0.2</b>	<b>48.6</b>	<b>9%</b>	<b>78,411</b>	<b>74,514</b>	<b>5.2</b>
<b>PBIT</b>											
EMPS	440.7	113	566	363	476	(15.9)	31.1	3%	1,258	270	
EPS	274.1	269	338	400	408	20.7	1.9	14%	1,579	1,143	38.1
UCP	1036.8	1,754	2,610	1,017	1,919	(26.5)	88.7	23%	5,134	5,837	(12.0)
<b>Total PBIT</b>	<b>1,752</b>	<b>2,136</b>	<b>3,514</b>	<b>1,780</b>	<b>2,803</b>	<b>(20.2)</b>	<b>57.5</b>	<b>17%</b>	<b>7,971</b>	<b>7,250</b>	<b>9.9</b>
Less: Un-allocable expense	-10.7	(112)	201	353	204	1.4	(42.3)	-367%	739	-103	
<b>Operating Income</b>	<b>1762</b>	<b>2,248</b>	<b>3,313</b>	<b>1,427</b>	<b>2,599</b>	<b>(21.5)</b>	<b>82.2</b>	<b>14%</b>	<b>7,232</b>	<b>7,354</b>	<b>(1.7)</b>
Less: Interest Expense	106	61	104	36	125	20.1	245.6	6%	259	262	
Exceptional	0	-20	0	0	0				0	0	
<b>PBT</b>	<b>1656</b>	<b>2,167</b>	<b>3,209</b>	<b>1,391</b>	<b>2,474</b>	<b>(22.9)</b>	<b>77.9</b>	<b>14%</b>	<b>6,973</b>	<b>7,092</b>	<b>(1.7)</b>
<b>PBIT Margins (%)</b>											
						<b>(bps)</b>	<b>(bps)</b>				<b>(bps)</b>
EMPS	4.5	1.4	6.5	6.6	6.9	41	32		5.1	0.9	415
EPS	34.9	28.4	34.6	32.1	33.0	(157)	94		32.3	31.8	52
UCP	10.4	14.6	15.8	9.3	10.6	(522)	125		10.5	13.8	(332)
<b>Total PBIT</b>	<b>8.5</b>	<b>10.3</b>	<b>13.4</b>	<b>10.0</b>	<b>10.6</b>	<b>(273)</b>	<b>60</b>		<b>10.2</b>	<b>9.7</b>	<b>44</b>

Source: Company, Emkay Research

**Exhibit 14: Key assumptions (segmental financials prior to FY21 are not comparable due to segment re-classification)**

Revenue (Rs mn)	FY18	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E
EMPS	28,452	36,191	32,461	28,786	24,705	25,868	29,723	33,602
<b>yoy</b>	<b>7%</b>	<b>27%</b>	<b>-10%</b>	<b>-11%</b>	<b>-14%</b>	<b>5%</b>	<b>15%</b>	<b>13%</b>
Order Inflow	35,862	35,331	60,581	24,134	5,077	20,308	34,523	37,975
<b>yoy</b>	<b>28%</b>	<b>-1%</b>	<b>71%</b>	<b>-60%</b>	<b>-79%</b>	<b>300%</b>	<b>70%</b>	<b>10%</b>
Order Book	44,223	49,760	77,880	73,228	53,600	48,040	52,840	57,214
<b>yoy</b>	<b>20%</b>	<b>13%</b>	<b>57%</b>	<b>-6%</b>	<b>-27%</b>	<b>-10%</b>	<b>10%</b>	<b>8%</b>
EPS	3,099	3,117	3,317	3,595	4,887	5,620	6,182	6,800
<b>yoy</b>	<b>-7%</b>	<b>1%</b>	<b>6%</b>	<b>8%</b>	<b>36%</b>	<b>15%</b>	<b>10%</b>	<b>10%</b>
UCP	32,026	31,556	40,737	42,185	48,819	61,868	71,857	80,957
<b>yoy</b>	<b>7%</b>	<b>-1%</b>	<b>29%</b>	<b>4%</b>	<b>16%</b>	<b>27%</b>	<b>16%</b>	<b>13%</b>
<b>Total Revenue</b>	<b>63,577</b>	<b>70,863</b>	<b>76,515</b>	<b>74,566</b>	<b>78,411</b>	<b>93,355</b>	<b>107,761</b>	<b>121,358</b>
<b>yoy</b>	<b>6%</b>	<b>11%</b>	<b>8%</b>	<b>-3%</b>	<b>5%</b>	<b>19%</b>	<b>15%</b>	<b>13%</b>
<b>PBIT (Rs mn)</b>								
EMPS	1,854	2,773	1,704	270	1,258	1,487	1,783	2,016
<b>% Margin</b>	<b>7%</b>	<b>8%</b>	<b>5%</b>	<b>1%</b>	<b>5%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>
EPS	992	1,051	993	1,143	1,579	1,798	1,978	2,176
<b>% Margin</b>	<b>32%</b>	<b>34%</b>	<b>30%</b>	<b>32%</b>	<b>32%</b>	<b>32%</b>	<b>32%</b>	<b>32%</b>
UCP	4,749	3,254	5,121	5,837	5,134	6,496	8,982	10,524
<b>% Margin</b>	<b>15%</b>	<b>10%</b>	<b>13%</b>	<b>14%</b>	<b>11%</b>	<b>11%</b>	<b>13%</b>	<b>13%</b>
<b>Total PBIT</b>	<b>7,595</b>	<b>7,077</b>	<b>7,817</b>	<b>7,250</b>	<b>7,971</b>	<b>9,782</b>	<b>12,744</b>	<b>14,716</b>
<b>% Margin</b>	<b>12%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>10%</b>	<b>12%</b>	<b>12%</b>

Source: Company, Emkay Research

## Changes in estimates

- **UCP:** We have maintained our volume growth estimates (FY23E: 27%, FY24E: 16%), as we expect Voltas to recover lost market share in a few months. We have, however, cut FY23-25 margin assumptions by 130-150bps, as the company will need to go aggressive on pricing/ad spends/dealer incentives, etc. to defend its market share.
- **EMPS:** We have cut FY23-25 revenue estimates due to subdued order inflow, run-down of Middle East book and lower execution rate. Margin estimates are unchanged.

Exhibit 15: Changes in estimates

Particulars (Rs mn)	FY23E			FY24E			FY25E
	Old	New	% Change	Old	New	% Change	Introduced
EMPS	28,558	25,868	-9.4%	32,116	29,723	-7.5%	33,602
EPS	5,338	5,620	5.3%	5,872	6,182	5.3%	6,800
UCP	63,552	61,868	-2.6%	72,426	71,857	-0.8%	80,957
<b>Total Revenue</b>	<b>97,448</b>	<b>93,355</b>	<b>-4.2%</b>	<b>110,414</b>	<b>107,761</b>	<b>-2.4%</b>	<b>121,358</b>
EBITDA	9,664	8,913	-7.8%	11,300	10,783	-4.6%	12,187
EBITDA Margin %	9.8	9.5	-25 bps	10.1	10.0	-9 bps	10.0
PAT	7,615	6,460	-15.2%	9,887	8,844	-10.5%	10,324
EPS	23.0	19.5	-15.2%	29.9	26.7	-10.5%	31.2

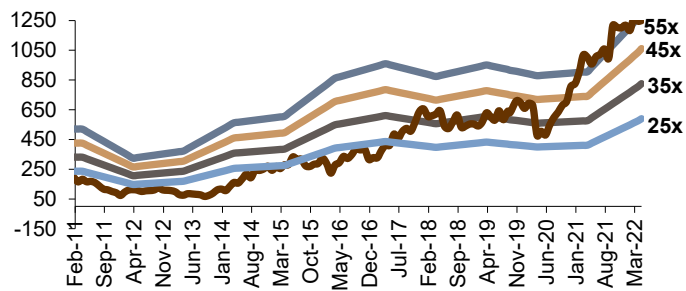
Source: Company, Emkay Research

Exhibit 16: Jun'23E SoTP-based valuation

Market Cap	Jun'24 PAT	Multiple	Rs mn
EMPS	1,253	10	12,527
EPS	1,379	15	20,692
UCP	6,371	43	272,376
<b>Total MCAP</b>	<b>9,004</b>		<b>305,596</b>
Number of Shares			331
<b>Target Price</b>			<b>924</b>
<b>Value of Volt-Bek</b>			<b>83</b>
<b>Total Value</b>			<b>1,000</b>

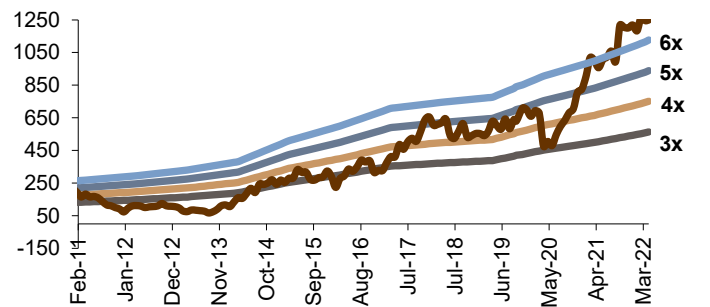
Source: Company, Emkay Research

Exhibit 17: 1-year forward P/E band



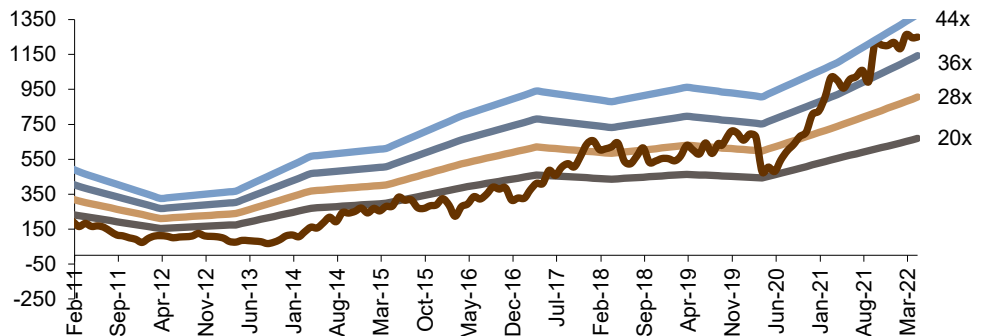
Source: Bloomberg, Emkay Research

Exhibit 18: 1-year forward P/B band



Source: Bloomberg, Emkay Research

Exhibit 19: 1-year forward EV/EBITDA band



Source: Bloomberg, Emkay Research

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## Conference call highlights

- **Unitary Cooling Products:** Extended winters in the initial months of Q4 and increased prices impacted sentiments of the channel partners, and thus primary sales as well. However, early and unusually hot summer led to a pickup in March. **Riding on this demand, 4Q saw improved value growth over Q4FY21, resulting in limited volume decline for Q4.** However, the bottom-line was impacted by increasing input costs, disruptive pricing by competitors and trade's resistance to price increases.
- **Voltas' FY22 market share in the RAC category was 23.4% as of Mar'22 at multi-brand outlets - down ~200-220bps yoy and qoq. This implies a ~500bps yoy and qoq market share loss in Q4FY22 as the exit share was ~18%. Voltas is seeing a loss in RAC market share (annualized basis in FY22) for the first time in several years.** Management attributed the share loss to the significant price reduction by competitors in South India (TN and Kerala), which Voltas did not resort to. **The majority of the share loss was to LG, Lloyd and Samsung.** In the East and West India, the company has gained market share, while it maintained the share in the North. **Voltas has taken steps (lower consumer subvention schemes and other consumer schemes) to regain the share by Jun'22.**
- **Demand for RACs remains robust and it is reflected in the industry's low channel inventory.**
- The company has not faced any supply-chain issues in Q4 and the same is true for Q1FY23 as well. Imports from China have reduced but still the majority of compressors and PCBAs are imported from the country.
- Voltas has done better in 2-Ton 5-Star RACs and is looking to expand its share in this segment. The inverter category witnessed good traction among customers. It now contributes more than 75% of all ACs sold vs. 70% a year-ago.
- **In FY22, the RAC price increase was 12-15%. The last price increase was taken in Jan'22, and some players have still not initiated price changes, leading to disruption. The price gap between Voltas and its closest peers stands at ~2.5-3%, with the same at 5% in some markets. As commodity inflation endures, the company will have to take further price increases.**
- **Commercial refrigeration** segment delivered another year of growth and even surpassed pre-Covid period volumes. Growth in commercial refrigeration was driven by the expansion of Mom & Pop stores, changes in food habits, largely driven by beverages and ice cream products in Tier-3 & 4 cities and higher participation from OEMs engaged in chocolate, beverages and ice-cream products.
- **Air Coolers:** The heat wave happened in Q4 led to higher demand for Air Coolers, which are relatively low-cost cooling products. **VOLT's presence in all sub-categories of the Air Coolers, balanced SKUs with competitive consumer pricing and expansion of channel network led to the company increasing its YTD Jan'22 market share to 12%.**
- **Commercial Air Conditioning:** The opening of commercial places and focus on retrofit jobs, along with the retention of customers with attractive after-sale offerings, led to overall value growth in Q4 and FY22. **The business took various cost-reduction initiatives and value engineering processes to offset the impact of higher input costs, and partly mitigated the margin risk.**
- **EBIT margin:** Management has not provided any margin guidance for FY23.
- **EMPS:** Better and timely execution of projects, coupled with a healthy project mix, led the performance of the project business in Q4. **Negotiations with customers and suppliers have mitigated the commodity impact to some extent.** The focus on work certification and collection has improved cash flows, and thus return on capital employed vs. FY21.
- **Volt-Bek: Annual sales are now close to Rs10bn. The exit market shares in Refrigerators and Washing Machines were 3-3.5% and +4%, respectively.**
- The company crossed the 1mn unit milestone in the year. Cumulatively, the brand has sold 2mn units, with the first 1mn taking two years to achieve and next 1mn just one year.

- The manufacturing facility has been expanded to frost-free refrigerators and fully automatic top-loaded washing machines at the Sanand factory in FY22. The production at the factory has also crossed 1mn units.
- ***Volt-Bek has more than 200 Expanded Exclusive Brand Outlets (EBO) now, and plans to add 50 more in FY23.***
- **Capex:** Total capex would be Rs4.5-5bn in the next 2-3 years, including PLI-related spends, investment in the compressor JV and others.
- **JV with Highly for AC compressors:** The JV is aimed at achieving technical know-how and will be dedicated to inverter compressors. The total investment would be ~Rs2.5-5bn by each partner with a targeted capacity of 1mn.



**Key Financials (Consolidated)****Income Statement**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>Revenue</b>	<b>75,558</b>	<b>79,345</b>	<b>94,289</b>	<b>108,838</b>	<b>122,571</b>
<b>Expenditure</b>	<b>69,144</b>	<b>72,529</b>	<b>85,376</b>	<b>98,055</b>	<b>110,385</b>
<b>EBITDA</b>	<b>6,414</b>	<b>6,816</b>	<b>8,913</b>	<b>10,783</b>	<b>12,187</b>
Depreciation	339	373	429	504	556
<b>EBIT</b>	<b>6,075</b>	<b>6,443</b>	<b>8,484</b>	<b>10,279</b>	<b>11,631</b>
Other Income	1,889	1,892	1,967	2,022	2,224
Interest expenses	262	259	227	262	296
<b>PBT</b>	<b>7,702</b>	<b>8,076</b>	<b>10,224</b>	<b>12,039</b>	<b>13,559</b>
Tax	1,804	1,913	2,812	3,311	3,729
Extraordinary Items	0	0	0	0	0
Minority Int./Income from Assoc.	(610)	(1,122)	(952)	116	494
<b>Reported Net Income</b>	<b>5,288</b>	<b>5,041</b>	<b>6,460</b>	<b>8,844</b>	<b>10,324</b>
<b>Adjusted PAT</b>	<b>5,288</b>	<b>5,041</b>	<b>6,460</b>	<b>8,844</b>	<b>10,324</b>

**Balance Sheet**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
Equity share capital	331	331	331	331	331
Reserves & surplus	49,603	54,090	59,723	66,095	73,271
<b>Net worth</b>	<b>49,934</b>	<b>54,421</b>	<b>60,054</b>	<b>66,425</b>	<b>73,602</b>
<b>Minority Interest</b>	<b>361</b>	<b>361</b>	<b>361</b>	<b>361</b>	<b>361</b>
<b>Loan Funds</b>	<b>2,606</b>	<b>3,482</b>	<b>2,842</b>	<b>3,280</b>	<b>3,694</b>
Net deferred tax liability	(558)	(558)	(558)	(558)	(558)
<b>Total Liabilities</b>	<b>52,343</b>	<b>57,706</b>	<b>62,699</b>	<b>69,509</b>	<b>77,099</b>
<b>Net block</b>	<b>3,391</b>	<b>3,368</b>	<b>4,286</b>	<b>5,130</b>	<b>5,471</b>
<b>Investment</b>	<b>30,464</b>	<b>30,464</b>	<b>30,464</b>	<b>30,464</b>	<b>30,464</b>
<b>Current Assets</b>	<b>52,120</b>	<b>61,771</b>	<b>69,050</b>	<b>80,603</b>	<b>93,125</b>
Cash & bank balance	4,588	11,103	9,913	13,605	18,708
Other Current Assets	10,769	7,748	7,768	7,789	7,808
<b>Current liabilities &amp; Provision</b>	<b>33,721</b>	<b>37,985</b>	<b>41,189</b>	<b>46,776</b>	<b>52,050</b>
<b>Net current assets</b>	<b>18,400</b>	<b>23,786</b>	<b>27,860</b>	<b>33,827</b>	<b>41,075</b>
Misc. exp	0	0	0	0	0
<b>Total Assets</b>	<b>52,343</b>	<b>57,706</b>	<b>62,699</b>	<b>69,509</b>	<b>77,099</b>

**Cash Flow**

Y/E Mar (Rs mn)	FY21	FY22	FY23E	FY24E	FY25E
<b>PBT (Ex-Other income) (NI+Dep)</b>	<b>5,813</b>	<b>6,184</b>	<b>8,257</b>	<b>10,017</b>	<b>11,336</b>
Other Non-Cash items	0	0	0	0	0
Chg in working cap	846	1,129	(5,265)	(2,274)	(2,146)
<b>Operating Cashflow</b>	<b>5,561</b>	<b>6,080</b>	<b>836</b>	<b>5,199</b>	<b>6,312</b>
Capital expenditure	(205)	(349)	(1,347)	(1,347)	(897)
<b>Free Cash Flow</b>	<b>5,356</b>	<b>5,731</b>	<b>(511)</b>	<b>3,851</b>	<b>5,414</b>
Investments	(7,031)	0	0	0	0
Other Investing Cash Flow	2,789	(48)	0	0	0
<b>Investing Cashflow</b>	<b>(2,559)</b>	<b>1,495</b>	<b>620</b>	<b>674</b>	<b>1,326</b>
Equity Capital Raised	0	0	0	0	0
Loans Taken / (Repaid)	428	876	(640)	438	414
Dividend paid (incl tax)	(1,324)	(1,676)	(1,779)	(2,357)	(2,654)
Other Financing Cash Flow	(341)	0	0	0	0
<b>Financing Cashflow</b>	<b>(1,498)</b>	<b>(1,059)</b>	<b>(2,647)</b>	<b>(2,180)</b>	<b>(2,536)</b>
<b>Net chg in cash</b>	<b>1,504</b>	<b>6,516</b>	<b>(1,190)</b>	<b>3,692</b>	<b>5,102</b>
Opening cash position	3,084	4,588	11,103	9,913	13,605
<b>Closing cash position</b>	<b>4,588</b>	<b>11,103</b>	<b>9,913</b>	<b>13,605</b>	<b>18,708</b>

Source: Company, Emkay Research

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**Key Ratios**

<b>Profitability (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EBITDA Margin	8.5	8.6	9.5	9.9	9.9
EBIT Margin	8.0	8.1	9.0	9.4	9.5
Effective Tax Rate	23.4	23.7	27.5	27.5	27.5
Net Margin	7.8	7.8	7.9	8.0	8.0
ROCE	16.4	15.1	17.4	18.6	18.9
ROE	11.4	9.7	11.3	14.0	14.7
RoIC	34.7	38.8	44.3	43.2	43.7

<b>Per Share Data (Rs)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
EPS	16.0	15.2	19.5	26.7	31.2
CEPS	17.0	16.4	20.8	28.3	32.9
BVPS	150.9	164.5	181.5	200.8	222.5
DPS	4.0	5.1	5.4	7.1	8.0

<b>Valuations (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
PER	65.5	68.7	53.6	39.1	33.5
P/CEPS	68.7	71.5	56.1	41.4	35.6
P/BV	6.9	6.4	5.8	5.2	4.7
EV / Sales	4.2	4.0	3.4	2.9	2.6
EV / EBITDA	48.9	46.7	35.9	29.5	25.7
Dividend Yield (%)	0.4	0.5	0.5	0.7	0.8

<b>Gearing Ratio (x)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Net Debt/ Equity	(0.6)	(0.5)	(0.4)	(0.4)	(0.5)
Net Debt/EBIDTA	(5.1)	(4.2)	(2.9)	(2.6)	(2.7)
Working Cap Cycle (days)	66.7	58.3	69.5	67.8	66.6

<b>Growth (%)</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23E</b>	<b>FY24E</b>	<b>FY25E</b>
Revenue	(1.3)	5.0	18.8	15.4	12.6
EBITDA	(6.6)	6.3	30.8	21.0	13.0
EBIT	(7.2)	6.1	31.7	21.2	13.1
PAT	1.5	(4.7)	28.2	36.9	16.7

<b>Quarterly (Rs mn)</b>	<b>Q4FY21</b>	<b>Q1FY22</b>	<b>Q2FY22</b>	<b>Q3FY22</b>	<b>Q4FY22</b>
Revenue	26,517	17,852	16,891	17,936	26,666
EBITDA	3,307	1,358	1,291	1,556	2,610
<b>EBITDA Margin (%)</b>	<b>12.5</b>	<b>7.6</b>	<b>7.6</b>	<b>8.7</b>	<b>9.8</b>
PAT	2,387	1,224	1,043	966	1,827
<b>EPS (Rs)</b>	<b>7.2</b>	<b>3.7</b>	<b>3.2</b>	<b>2.9</b>	<b>5.5</b>

Source: Company, Emkay Research

<b>Shareholding Pattern (%)</b>	<b>Mar-21</b>	<b>Jun-21</b>	<b>Sep-21</b>	<b>Dec-21</b>	<b>Mar-22</b>
Promoters	30.3	30.3	30.3	30.3	30.3
FII	14.4	17.2	22.3	24.4	26.2
DII	37.2	33.9	31.6	29.8	27.8
Public and Others	18.1	18.6	15.8	15.5	15.7

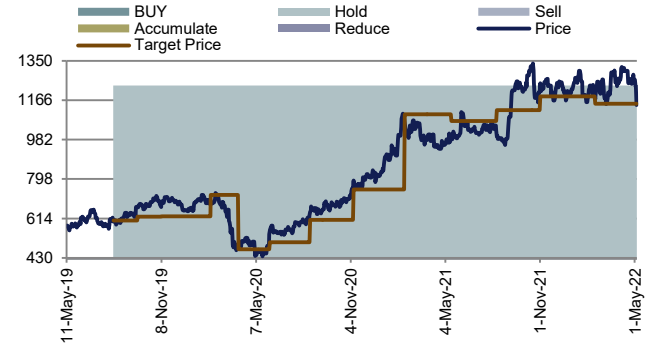
Source: Capitaline

**RECOMMENDATION HISTORY TABLE**

Date	Closing Price	TP	Period (months)	Rating	Analyst
14-Feb-22	1,170	1,150	12m	Hold	Naval Seth
8-Dec-21	1,253	1,185	12m	Hold	Naval Seth
17-Nov-21	1,235	1,185	12m	Hold	Naval Seth
1-Nov-21	1,245	1,185	12m	Hold	Naval Seth
23-Aug-21	973	1,120	12m	Hold	Naval Seth
10-Aug-21	998	1,120	12m	Hold	Naval Seth
15-May-21	999	1,070	12m	Hold	Naval Seth
15-Feb-21	1,058	1,100	12m	Hold	Naval Seth
9-Nov-20	791	750	12m	Hold	Naval Seth
18-Aug-20	645	608	12m	Hold	Naval Seth
2-Jun-20	558	502	12m	Hold	Naval Seth
7-Apr-20	485	470	12m	Hold	Naval Seth
3-Apr-20	473	470	12m	Hold	Naval Seth
16-Mar-20	603	724	12m	Hold	Naval Seth
13-Feb-20	686	724	12m	Hold	Naval Seth
10-Feb-20	682	724	12m	Hold	Naval Seth
16-Dec-19	679	624	12m	Hold	Naval Seth
19-Nov-19	713	624	12m	Hold	Naval Seth
8-Nov-19	694	624	12m	Hold	Naval Seth
23-Sep-19	671	623	12m	Hold	Naval Seth
18-Sep-19	631	604	12m	Hold	Naval Seth
11-Sep-19	633	604	12m	Hold	Naval Seth
8-Aug-19	598	604	12m	Hold	Naval Seth

Source: Company, Emkay Research

**RECOMMENDATION HISTORY CHART**



Source: Bloomberg, Company, Emkay Research

## Emkay Alpha Portfolio – Consumer Durables



**Analyst: Naval Seth**

**Contact Details**

naval.seth@emkayglobal.com  
+91 22 66242414

**Sector**

Consumer Durables, Media & Entertainment, SMID and Telecom

**Analyst bio**

Naval holds an MBA in Finance and has more than 13 years of experience in equity research. His team currently covers 19 stocks spread across three different sectors.

**EAP sector portfolio**

Company Name	BSE200 Weight	EAP Weight	OW/UW (%)	OW/UW (bps)	EAP Weight based on Current NAV	Change vs last published EAP (bps)
<b>Consumer Durables</b>	<b>1.08</b>	<b>1.08</b>	<b>0%</b>	<b>0</b>	<b>100.00</b>	
Amber Enterprises	0.00	0.00	NA	0	0.00	0
Blue Star	0.00	0.00	NA	0	0.00	0
Crompton Greaves CE	0.22	0.23	2%	0	20.98	0
Dixon Technologies	0.13	0.13	-3%	0	11.60	0
Havells India	0.32	0.32	1%	0	29.88	0
KEI Industries	0.00	0.00	NA	0	0.00	0
Polycab India	0.10	0.10	0%	0	9.67	0
V-Guard Industries	0.00	0.00	NA	0	0.00	0
Voltas	0.25	0.25	-1%	0	23.08	0
Whirlpool Of India	0.05	0.05	-7%	0	4.53	0
<b>Cash</b>	<b>0.00</b>	<b>0.00</b>	<b>NA</b>	<b>0</b>	<b>0.23</b>	<b>0</b>

Source: Emkay Research

■ High Conviction/Strong Over Weight ■ High Conviction/Strong Under Weight

**Sector portfolio NAV**

	Base					Latest
	1-Apr-19	6-May-21	8-Nov-21	7-Feb-22	6-Apr-22	6-May-22
EAP - Consumer Durables	100.0	157.2	196.9	178.8	184.1	167.7
BSE200 Neutral Weighted Portfolio (ETF)	100.0	143.6	182.0	167.4	172.5	156.9

\*Performance measurement base date 1<sup>st</sup> April 2019

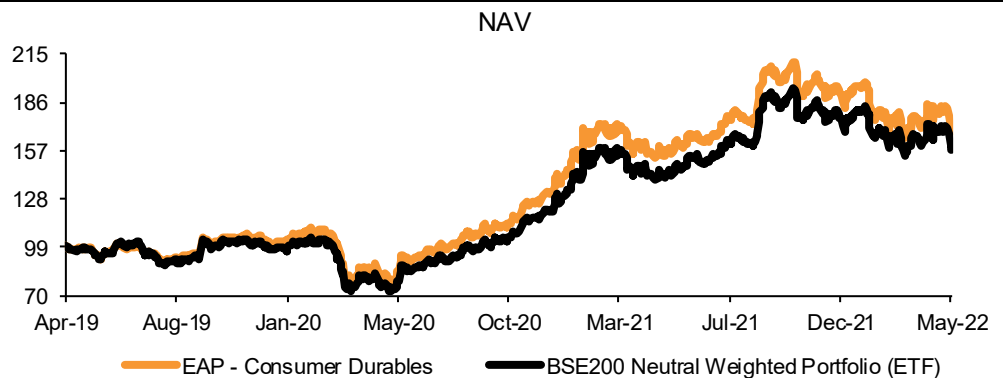
Source: Emkay Research

**Price Performance (%)**

	1m	3m	6m	12m
EAP - Consumer Durables	-8.9%	-6.2%	-14.8%	6.7%
BSE200 Neutral Weighted Portfolio (ETF)	-9.0%	-6.2%	-13.8%	9.3%

Source: Emkay Research

**NAV chart**



Source: Emkay Research

Please see our model portfolio (Emkay Alpha Portfolio): [Nifty](#)

Please see our model portfolio (Emkay Alpha Portfolio): [SMID](#)

“Emkay Alpha Portfolio – SMID and Nifty are a supporting document to the Emkay Alpha Portfolios Report and is updated on regular intervals”

## Emkay Rating Distribution

Ratings	Expected Return within the next 12-18 months.
BUY	Over 15%
HOLD	Between -5% to 15%
SELL	Below -5%

Completed Date: 09 May 2022 23:04:54 (SGT)

Dissemination Date: 09 May 2022 23:05:54 (SGT)

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CIN - L67120MH1995PLC084899

7th Floor, The Ruby, Senapati Bapat Marg, Dadar - West, Mumbai - 400028. India

Tel: +91 22 66121212 Fax: +91 22 66121299 Web: www.emkayglobal.com